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C O N F I D E N T I A L BAKU 000719

SIPDIS

EUR FOR DAS BRYZA; EEB FOR STEVEN MANN

E.O. 12958: DECL: 07/30/2018

TAGS: [PGOV](#) [PREL](#) [ENRG](#) [AJ](#) [TX](#)

SUBJECT: AZERBAIJAN,S SOCAR DISCUSSES TURKMEN NEXT STEPS

Classified By: Classified By: Ambassador Anne E. Derse, Reasons 1.4 (b, d).

¶1. (C) SUMMARY: In a July 16 conversation, SOCAR Marketing Vice-President Elshad Nassirov and Eurasian Energy Coordinator Steven Mann discussed prospects for an "early gas" project getting Turkmen gas to Azerbaijan, with both agreeing that the first, and key, step was the Turkmen President making the political decision to sell gas to Europe. END SUMMARY.

¶2. (C) On July 16 Eurasian Energy Coordinator Ambassador Steven Mann met with SOCAR Marketing Vice-President Elshad Nassirov to discuss Turkmenistan. Embassy Energy Officer was also present.

EARLY GAS

¶3. (C) Ambassador Mann told Nassirov that both GOAJ President Aliyev and GOTX President Berdimuhamedov have indicated that they wish the USG to serve as a catalyst in bringing about "early gas" from offshore Turkmenistani fields (i.e. the Livanov field) to Azerbaijan. Mann handed Nassirov a two-page paper, "Pathway to 'Early Gas' from Turkmenistan and Beyond," listing steps the GOAJ and GOTX could take to interconnect their offshore gas infrastructures, a copy of which he had earlier presented to President Aliyev and which he also intended to give to the Turkman President. Mann said that much depended on whether GOTX offshore gas would have to be taken back onshore for processing, or whether it could be sent directly west. Nassirov mused that with GOTX gas, Azerbaijan could sell eight bcm/a to Turkey.

¶4. (C) Nassirov said he had already received a copy of the paper by the Presidential Apparatus, and that he would share it with SOCAR President Abdullayev when he returned the following day. He himself thought the roadmap a good one, but stressed that all bilateral progress in this regard depended on Berdimuhamedov making the political decision to sell gas to Europe. Mann agreed, saying that the key was to educate Berdimuhamedov on how to develop the Turkmen energy sector in conjunction with top-tier Western energy companies.

¶5. (C) Nassirov said there was no unified GOAJ view concerning Turkmenistan. Existing bilateral problems are Sardar-Kyapaz, bilateral border issues, and general Caspian delimitation. There is a GOAJ consensus that bilateral cooperation on developing offshore gas should begin, with the assumption that the other problems will work themselves out as bilateral cooperation increases. Azerbaijan is very flexible as to the exact mechanism of gas development, willing to let the GOTX decide where the interconnector

should go, who should build it, and who should be the operator.

NEW SOCAR IDEAS

¶16. (C) Nassirov said that after Gazprom Alexei Miller's Baku visit, he had thought of an idea to get GOTX gas westwards without incurring Gazprom anger towards Berdimuhamedov. Azerbaijan, Russia and Turkmenistan would cooperate on a seven to eight bcm/a gas pipeline from Azerbaijan to Russia, so that some GOTX offshore volumes could be sent to Russia via Azerbaijan, saving Russia approximately USD 40 per thousand cubic meters. Ambassador Mann thought the idea worthy of further study, with the caveat that the goal was to get large volumes of GOTX gas to Europe.

¶17. (C) Nassirov asked Mann what he thought of the idea of Azerbaijan delivering SD2 volumes to Europe via Southstream, with the proviso that Azerbaijan "kept control of its gas." Mann replied that the idea was unwise and would be opposed by the USG, as it would undercut the independence of the region and cautioned that Russia can not be considered a reliable commercial partner for Azerbaijan.

¶18. (C) Nassirov said that a SOCAR colleague in Tehran had picked up rumors of Iran and Russia discussing a cross-Caspian pipeline of their own, asking Mann if he had heard anything in this regard. Mann hadn't.

GOAJ-GOTX CONFERENCE

¶19. (C) Nassirov was unenthused about the upcoming September 9-10 bilateral GOAJ-GOTX Exhibition and Conference to be held in Baku, saying "it doesn't solve anything." Nassirov said that while the GOAJ sought to invite Energy Ministers from those countries involved with GUAM, Nabucco, TGI and TAP, the GOTX was casting a far broader net, inviting companies and officials from almost every Middle East and Central Asian country, to include Saudi Arabia, Bahrain, Kuwait, UAE, China, South Korea, Afghanistan, and companies like Buried Hill. Mann agreed that the GOTX these days seemed to have "conference fever." Nassirov said the head of the GOTX delegation would be Vice-Premier Tagiev, since Berdimuhamedov would not return to Baku until/unless President Aliyev makes his State visit to Ashgabat.

SD2

¶10. (C) Nassirov told Mann that the GOAJ would not "rush to proceed with" SD2 development if it could not secure transit through Turkey, although he asked Mann not to share this news with Turkey, since the GOAJ was seeking to convince Turkey that the SD Consortium was seriously considering other marketing options that did not involve Turkish transit.

LNG FEASIBILITY STUDY

¶11. (C) Nassirov and Mann discussed the possibility of LNG for SD2, both agreeing that rising prices necessitate "another look" at this option. They also agreed that having a high-profile signing ceremony of a USTDA LNG feasibility study in Tbilisi in September, with SE Gray and Mann attending, might be a good way of increasing the pressure on Turkey to provide transit. Mann said that Turkey should "negotiate hard," but ultimately must be convinced to "make a deal that gets hydrocarbons to Europe."

¶12. (U) Ambassador Mann has cleared this cable.
DERSE